



**A Report to the  
Audit Committee**

**Mayor**  
John Cooper

**Metro Parks and Recreation  
Department**  
Monique Odom

**Audit Committee Members**

Kevin Crumbo  
Thom Druffel  
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Zulfat Suara

Metropolitan  
Nashville  
Office of  
Internal Audit

**Audit of the Metro Parks and  
Recreation Department's  
Relationships with Nonprofits**

August 17, 2020

## EXECUTIVE SUMMARY

August 17, 2020



### Why We Did This Audit

The audit was conducted to determine the appropriateness of relationships between the Metro Parks and Recreation Department and affiliated partners or nonprofits and to ensure the relationships are beneficial to the Metro Parks and Recreation Department.

### What We Recommend

- Ensure compliance with the Metropolitan Board of Parks and Recreation Policy.

# Audit of the Metro Parks and Recreation Department's Relationships with Nonprofits

## BACKGROUND

The Metro Parks and Recreation Department establishes relationships with nonprofit organizations for the benefit of the citizens of Metropolitan Nashville and Davidson County and its visitors. The nonprofits provide a wide range of resources and services. The Metro Parks and Recreation Department is currently affiliated with 18 nonprofits. The relationships reduce taxpayer costs via contributions and the resulting synergies when coordinating on applicable Metro Parks and Recreation Department activities and infrastructure improvements.

## OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- The Metro Parks and Recreation Department's relationships with affiliated nonprofits are consistent with the Metropolitan Board of Parks and Recreation Policy.
- Transactions between the Metro Parks and Recreation Department and the various nonprofits conform to applicable agreements, benefit the Metropolitan Nashville Government, and are subject to controls to reduce the possibility of errors or malfeasance.

The scope of this audit is July 1, 2017, to September 30, 2019.

## WHAT WE FOUND

The Metro Parks and Recreation Department has generally established controls to adequately monitor their relationships with affiliated nonprofits. Formal policies are in place outlining the responsibilities of the various nonprofits and the Metro Parks and Recreation Department. All donations or projects involving nonprofits must be approved by the Board of Parks and Recreation. Procedures are in place to track the progress and verify completion of each project and to ensure donations are being used for their intended purpose.

Opportunities to improve compliance with the Metropolitan Board of Parks and Recreation Policy exist. Requirements for nonprofits to provide specific documentation to the Metro Parks and Recreation Department was not consistently adhered to or monitored.

## GOVERNANCE

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The Metro Parks and Recreation Department was established in 1964 with the consolidation with the Metropolitan Nashville Government and functions under the authority of the Metropolitan Charter, Section 11.001. The Metro Parks and Recreation Department is governed by a seven-member Board of Parks and Recreation whose members serve five-year terms. Daily activities are managed by the Metro Parks and Recreation Department Director, who is appointed by the Board.

## BACKGROUND

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The Metro Parks and Recreation Department partnered with 18 nonprofits during the audit period. Eight nonprofits provided contributions in terms of donations or services to assist in supplementing and complimenting the department's missions and objectives. A listing of nonprofits during the scope period and the applicable award amounts are listed in Exhibit A.

### Exhibit A: Nonprofit Partners and Awards from July 2017 to September 2019

GRANTOR	Total Award
NASHVILLE PARKS FOUNDATION	\$610,160.00
FRIENDS OF WARNER PARKS	\$291,184.53
GREENWAYS FOR NASHVILLE	\$120,000.00
THE CONSERVANCY PARTHENON CENTENNIAL PARK	\$109,323.03
FRIENDS OF GREEN HILLS PARK	\$75,000.00
FRIENDS OF TWO RIVERS MANSION	\$43,795.59
FRIENDS OF SHELBY PARK and BOTTOMS	\$32,780.00
FRIENDS OF METRO DANCE	\$20,000.00
<b>Grand Total:</b>	<b>\$1,302,243.15</b>

The nonprofits benefit the Metropolitan Nashville Government by performing a variety of projects or by making donations such as landscaping improvements, fence installation and repair, upgrading kitchen equipment, facilities maintenance and upgrades throughout the park system, greenway expansions, and select staff salaries at Two Rivers Mansion.

All nonprofit organizations affiliated with the Metro Parks and Recreation Department must be approved by the Board of Parks and Recreation. Nonprofits must also apply and be approved to operate as a nonprofit by the Internal Revenue Service. Every subsequent grant, donation, project, etc. must be reviewed and approved the Board of Parks and Recreation and Metropolitan Council prior to initiation. All activity is then assigned to a program manager to monitor from initiation to finalization.

## OBJECTIVES AND CONCLUSIONS

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1. *Are the Metro Parks and Recreation Department's relationships with affiliated nonprofits consistent with the Metropolitan Board of Parks and Recreation Policy, Section 3000.31 (Establishment and Operation of Not for Profit Friends or Support Groups)?*

**Generally, yes.** The Board of Parks and Recreation reviewed and approved all nonprofits affiliated with the department during the scope period of July 1, 2017, through September 30, 2019. Approval included reviewing all applicable activities associated with nonprofits. However, a significant portion of the policy is not consistently followed. Portions not followed related to requiring nonprofits to submit financial reports, Internal Revenue Service Exception Letters, details of fundraising activities, and membership listings. (See Observation A.)

2. *Are transactions between the Metro Parks and Recreation Department and the various nonprofits conforming to applicable agreements, benefiting the Metropolitan Nashville Government, and subject to controls to reduce the possibility of errors or malfeasance?*

**Yes.** All the projects and donations tested were approved by both the Board of Parks and Recreation and the Metropolitan Council. Also, project status and completion were monitored by the Metro Parks and Recreation Department. Projects and donations were utilized in the manner and purpose specified by the nonprofits.

## AUDIT OBSERVATIONS

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Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

### ***Observation A – Compliance with the Metropolitan Board of Parks and Recreation Policy***

Requirements set forth in the Metropolitan Board of Parks and Recreation Department Policy were not followed in a consistent manner. A review of all 18 nonprofits for the scope July 1, 2017, through September 30, 2019, noted the following instances of noncompliance with the policy:

- A valid Internal Revenue Service exception letter was not on file for 9 nonprofits (50 percent).
- Financial reports (i.e. Internal Revenue Service Form 990 or 990N, balance sheet, and income statement) were not on file or were submitted late for 16 nonprofits (89 percent). Notably, financial reports were not on file for 7 nonprofits (39 percent) for either 2017 or 2018.
- The annual budgets were not on file for any of the nonprofits for either 2017 or 2018.
- Detailed lists of fundraising activities were not on file for any of the 15 nonprofits that raised funds for either 2017 or 2018.
- A list of membership including the names and titles of board members or officers was not on file for 17 nonprofits (94 percent) for either 2017 or 2018.

The required information is utilized to determine if the nonprofits are operating or plan on operating in the best interest of the Metro Parks and Recreation Department. Not having information increases the risk a nonprofit might not be functioning in the best interest of the Metropolitan Nashville Government.

#### *Criteria:*

- Metropolitan Board of Parks and Recreation Policy, Section 3000.31.
- *COSO*, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

#### *Assessed Risk Rating:*

**Medium**

#### *Recommendations for Management of the Metro Parks and Recreation Department to:*

1. Evaluate and determine if the policy needs to be revised if management or the Board of Parks and Recreation determines the requirements are too burdensome or if more stringent requirements are needed.
2. Ensure the required documentation is provided consistently and within the deadlines listed in the policy. Consideration should be given to the development of an initial and annual checklist of the required documents to be completed for new nonprofits and annually for existing nonprofits.

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

## **METHODOLOGY**

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To accomplish our audit objectives, we performed the following steps:

- Studied applicable laws, regulations, and Board of Parks and Recreation policies.
- Interviewed key personnel within the Metro Parks and Recreation Department.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

## **AUDIT TEAM**

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James Carson, CIA, CFE, In-Charge Auditor

Bill Walker, CPA, CIA, CFE, Principal Auditor

Lauren Riley, CPA, CIA, ACDA, CMFO, Metropolitan Auditor

JOHN COOPER, MAYOR

**METROPOLITAN BOARD OF PARKS AND RECREATION**

Centennial Park Office  
Park Plaza at Oman Street  
Nashville, TN 37201



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Monique Horton Odom, Director

August 10, 2020

Ms. Lauren Riley, CPA, CIA, ACDA  
Director  
Metropolitan Nashville Office of Internal Audit  
P.O. Box 196300  
Nashville, TN 37219-6300

RE: Audit of Metro Parks Non-Profit Engagement

Dear Ms. Riley:

This letter acknowledges Metro Parks receipt of the interim audit report for the above referenced project. We have reviewed your observations and are in the process of implementing your recommendations as indicated in the management response.

Thank you for the thoroughness and methodology used in the audit and we look forward to completing the implementation of your recommendations.

Sincerely,

Monique Horton Odom  
Director

MHO:jf

c: William Walker  
Office of Internal Audit  
Chinita White  
Assistant Director/Metro Parks

*"It is the mission of Metro Parks and Recreation to sustainably and equitably provide everyone in Nashville with an inviting network of parks and greenways that offer health, wellness and quality of life through recreation, conservation and connectivity"*



FOR ADA ACCOMMODATIONS, PLEASE CONTACT 615-862-8400

WE ARE AN EQUAL OPPORTUNITY EMPLOYER

## APPENDIX A – MANAGEMENT RESPONSE AND ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

	Recommendations	Concurrence and Action Plan	Proposed Completion Date
<i>Recommendations for management of the Metro Parks and Recreation Department to:</i>			
M	A.1 Evaluate and determine if the policy needs to be revised if management or the Board of Parks and Recreation determines the requirements are too burdensome or if more stringent requirements are needed.	<b>Accept:</b> The Finance Committee of the Parks Board will meet to discuss and review current policy and make recommendations for any changes.	February 15, 2021
M	A.2 Ensure the required documentation is provided consistently and within the deadlines listed in the policy. Consideration should be given to the development of an initial and annual checklist of the required documents to be completed for new nonprofits and annually for existing nonprofits	<b>Accept:</b> The Finance Committee of the Parks Board will meet to discuss recommendations. Implementation of agreed upon recommendations will then proceed.	August 15, 2021

## APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
<b>HIGH</b>	Large financial impact >\$25,000  Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
<b>MEDIUM</b>	Moderate financial impact \$25,000 to \$10,000	Partial controls  Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	Potential for negative public trust perception
<b>LOW/ Emerging Issues</b>	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective  Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
<b>Efficiency Opportunity</b>	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			